

REPORT TO: Business Efficiency Board
DATE: 18 September 2013
REPORTING OFFICER: Strategic Director – Policy & Resources
SUBJECT: Fraud & Corruption – Annual Update
PORTFOLIO: Resources
WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

The Business Efficiency Board is responsible for monitoring and reviewing the adequacy of the Council's anti-fraud and corruption arrangements. The purpose of this report is to update the Board with details of developments in regard to those arrangements.

2.0 RECOMMENDATION: That the Business Efficiency Board is asked to note the report and endorse the actions being taken to counter fraud and corruption.

3.0 THE COUNCIL'S COUNTER FRAUD FRAMEWORK

3.1 The Council has a well-established framework of policies, procedures and functions that collectively help to manage the risk of fraud and corruption. Key elements of this framework include:

- The Anti-Fraud and Anti-Corruption Strategy;
- The Fraud Response Plan;
- The Confidential Reporting Code (Whistleblowing Policy);
- Standing Orders relating to Finance;
- Procurement Standing Orders;
- The Scheme of Delegation;
- Members' Code of Conduct;
- Employees' Code of Conduct;
- Registers of Interests;
- Registers of Gifts & Hospitality;
- The work of internal audit;
- The work of the Benefits Investigation Unit;
- Participation in the National Fraud Initiative;
- Communication systems to raise awareness of the risk of fraud.

3.2 Following a self-assessment of the Council's counter fraud arrangements further work has been undertaken to improve awareness and understanding of fraud and corruption risks across the Council. This has led to:

- A fraud awareness e-learning module being developed, which will be made available to all Council employees and members. The module will update the content of the previous fraud awareness training that was successfully rolled out across the Council in 2010.
- An e-learning module has also been developed to raise awareness of the Bribery Act 2010, which came into force in July 2011. The module has initially been rolled out to elected members and officers in the Procurement Division. It will however be made available to all Council employees.
- A review of the Council's whistleblowing procedures is planned following a number of recent changes to whistleblowing legislation, which came into effect on 25 June 2013 as a result of the Enterprise and Regulatory Reform Act 2013. These changes provide an ideal opportunity to review and re-launch the Council's whistleblowing policies and procedures.

4.0 REPORTING FRAUD AND CORRUPTION

4.1 The Council has a number of mechanisms which allow both staff and members of the public to raise their concerns regarding benefit fraud allegations and other concerns. These mechanisms include:

- Benefit Fraud Online Form
- Confidential Fraud Hotline Freephone
- 'Report It' facility on the Council's Website

4.2 In 2012/13 the Council received 115 referrals via the 'Report It' facility, of which 45 were related to alleged benefit fraud. The remaining 70 referrals related to issues ranging from fly tipping, noise pollution and anti-social behavior. Each referral was passed to the relevant Council department for further investigation.

4.3 A further 61 referrals were received during the year from the Fraud Hotline and the Benefit Fraud Online form. All referrals are followed up and investigations undertaken where appropriate. One of the referrals received in 2012/13 resulted in the identification of a £10k fraudulent overpayment and the case is currently pending prosecution.

5.0 IDENTIFIED FRAUD – 2012/13

5.1 In 2012/13 the Council did not identify any non-benefit related fraud. However, this does not necessarily mean that no fraud was present. Management is ultimately responsible for identifying fraud and corruption but the risk of fraud is also considered by both internal audit and external audit when planning and undertaking audit work.

5.2 Nationally, the biggest fraud risk to local authorities continues to be in respect of claims for Housing Benefit and Council Tax Benefit. The Council's Benefit Investigation Unit (BIU) therefore has an important role to play in the Council's overall counter fraud arrangements.

5.3 The BIU has continued to work closely with the Department of Work and Pensions (DWP) Fraud Investigation Service and successfully prosecuted 21 joint working cases in 2012/13.

5.4 The BIU also received 487 referrals, of which 295 were investigated and closed. These investigations led to:

- 31 formal cautions
- 22 administrative penalties
- 39 cases taken to court
- 37 successful prosecutions

5.5 The value of the overpayments identified in the cases where sanctions have been imposed is as follows:

Overpayment Type	£
Housing Benefit	168,285
Council Tax Benefit	44,239
DWP Benefit	352,110
Total	564,634

5.6 In recent months there have been a number of high profile fraudulent benefit claimants going before the courts resulting in penalties ranging from a suspended prison sentence to 120 hours unpaid work. Publicity arising from such prosecutions assists the Council in sending out a clear message that fraud will not be tolerated.

6.0 SINGLE FRAUD INVESTIGATION SERVICE (SFIS)

6.1 The Coalition Government's strategy for tackling welfare fraud and error, published in October 2010, set out a commitment to create the Single Fraud Investigation Service (SFIS) to investigate benefit and tax credit fraud and Universal Credit. SFIS would be part of the DWP and was intended to bring together investigation staff from local authorities, DWP and HMRC.

6.2 Development of SFIS is continuing, and a number of pilot schemes are running across the country with further pilots planned for later in the year. Initial feedback from the pilots indicates that co-location has provided a more supportive learning environment for staff than separate sites. However, IT solutions have taken longer than anticipated to implement.

6.3 At present it remains unclear as to whether or not local authority benefit staff will transfer to SFIS, as options for its future organisation are still under consideration. Until any changes are made SFIS will remain a partnership. If the partnership continues as a long-term option, staff will remain employed by their existing employer.

6.4 Further details on the development of SFIS will be reported to the Board as they emerge.

7.0 NATIONAL FRAUD INITIATIVE

7.1 The Council participates in the Audit Commission's National Fraud Initiative (NFI). This is a data matching exercise which takes place every year with different data

sets being submitted. The exercise is designed to assist participating bodies in detecting fraud, overpayments and errors.

7.2 In 2012/13, the Council submitted the following datasets:

- Payroll
- Pensions (provided by Pensions Authority)
- Trade creditors' payment history and standing data
- Housing Benefits (provided by DWP)
- Electoral Register
- Students eligible for a loan (provided by Student Loan Company)
- Private supported care home residents
- Blue Badges/Concessionary Travel
- Insurance claimants
- Licences – market traders/operator, taxi driver and personal licences to supply alcohol

7.3 The matches for investigation were made available in March 2013 and the Council was recommended to review 1,270 data matches across all datasets. This work is still in progress and ongoing enquiries are being made in regard to 72 data matches, which potentially could lead to further action.

7.4 External Audit has reviewed the Council's progress in regard to the investigation of the matches and has confirmed that it is satisfied with the progress achieved to date.

7.5 In July the Government announced that NFI will continue after the Audit Commission closes in 2015. The Cabinet Office is to take on responsibility for NFI, which will become part of the Fraud Error and Debt Taskforce.

8.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

8.1 There are no specific policy implications arising from this report.

8.2 There are no direct financial implications arising from this report. Further development of the Council's counter fraud arrangements will be met from within existing resources.

9.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

9.1 The maintenance of an effective framework to minimise the risk of fraud and corruption contributes to the achievement of all the Council's priorities.

10.0 RISK ANALYSIS

10.1 This report highlights specific actions that the Council has already taken, and continues to take, to minimise the risk of fraud. Failure to maintain effective counter fraud measures would result in the Council being susceptible to an increased risk of financial loss.

11.0 EQUALITY AND DIVERSITY ISSUES

None identified

12.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None